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February 17, 2004

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, TW-A325
Washington, DC 20554

Re: CC Dkt. 02-6; Schools and Libraries Universal Service Support Mechanism

Dear Ms. Dortch,

On February 12, 2004, representatives from a number of large LECs met with Narda Jones, Kathy Tofigh, Greg Lipscomb, Dana Bradford, and Jennifer Schneider of the Wireline Competition Bureau. The purpose of the meeting was to discuss the LECs' experience with the e-rate program and in particular the process the companies have put in place to provide e-rate benefits to schools and libraries and to invoice USAC for reimbursement. All material used during the meeting is attached.

LEC representatives in attendance were: Mary Henze, Fay Reed, and Harry Cook of BellSouth; Barbara Stoll and Norina Moy of Sprint; Clint Odom, Stephanie Beavers, and Jim Lambertson of Verizon; Gary Kissell of Qwest; and, Ellen Blackler of SBC.

This notice is being filed pursuant to Sec. 1.1206(b)(2) of the Commission's rules. If you have any questions regarding this filing please do not hesitate to contact me.

Sincerely,

Mary L. Henze

Mary L. Henze

cc: N. Jones
K. Tofigh
G. Lipscomb
D. Bradford
J. Schneider

Large LEC Experience with E-rate Program

A. Billing and Invoicing

1. Billing our e-rate customers and invoicing for reimbursement required LECs to develop numerous specialized processes and procedures. (See attached flow chart and notes.)

2. In 2002, the large LECs:
   - Provided service to almost 18,000 e-rate customers
   - Delivered e-rate benefits on over 35,000 FRNs
   - Submitted over 65,500 SPI invoice line items to USAC

3. 90% of LEC invoice items are paid by USAC in two weeks; remaining 10% take two months or more; can be as long as a year.

4. BEARS vs. SPIs
   - 75% to 95% of benefits are delivered via BEARS
   - 25% to 5% of benefits are delivered via discounts on bills (and SPI)
   - Early data suggests increase in discounts/SPIs for current year

B. Services and Equipment

E-rate customers are requesting broad range of services and equipment.

1. Communications
   - Telecom equipment and services range from standard network T-1 and Internet Access to increasing bandwidth to support streaming video. Equipment that will control "priority" of interest.
   - Lots of demand for fiber-based broadband telecomm networks, with schools migrating from T1/T3 TDM to 100mbps and 1000mbps (gigabit) speeds. Ethernet platform that supports IP-based transmissions.
   - Quality of Service (QoS) to prioritize traffic, with highest priority given to VoIP applications and video.
   - Schools increasingly seeking private network alternatives over carrier services (fiber), although cable TV companies can provide carrier-class services for gigabit ethernet networks, relatively inexpensively.

2. Equipment
   - Data CPE for lighting networks, our own and our competitors - routers,switches, fiber-terminating CPE
   - CPE for video conf./distance learning.
   - CPE for IP based services, primarily video and voice applications over fiber broadband networks.
   - Laptops, handhelds, tablets, "dumb" devices, while not eligible, the K-12 market is looking to buy, particularly large districts with more sophisticated technology departments. Also drives demand for wireless WANs and LANs to support mobile computing.
   - Wireless phones and service for mobile personnel, especially when sharing resources between buildings.

3. Applications
   - Applications that drive network deployment and educational technology, student info.
   - Multi-media content, curriculum that supports learning standards, grading and attendance pckgs., district communications platforms, video surveillance, desktop videeo conferencing.
   - Distance learning, especially in rural America, continues to draw interest as school districts consolidate.
   - Internet use within the classroom varies, especially depending on the average age of teachers within a state; in-service training for teachers is a very hot topic but not eligible for E-Rate. While the classrooms may be wired for the Internet, most lesson plans are not yet sophisticated.

C. E-rate Customer Marketing

All LECs have developed specialized E-rate marketing channels

1. Sales Organizations

   Companies have sales organizations that have developed expertise and focus on the education market sector. These organizations are responsible for the relationship with school district customers for both current services and future opportunities. Because E-rate is so important to these customers, those organizations have people knowledgeable in E-rate and how it works.

2. Websites

   Most companies have websites dedicated to the k-12 market that focuses on information about a companies products for that market and the company's ability to participate in the E-rate program.

   http://www.kn.sbc.com/products/erate/erate.html
   http://www.k12.bellsouth.com

3. Conferences, Presentations and Materials

   Company personnel have booths at and attend education conferences, as well as hold seminars and outreach presentations for school personnel giving an overview of the E-rate. These presentations are based on USAC training materials.

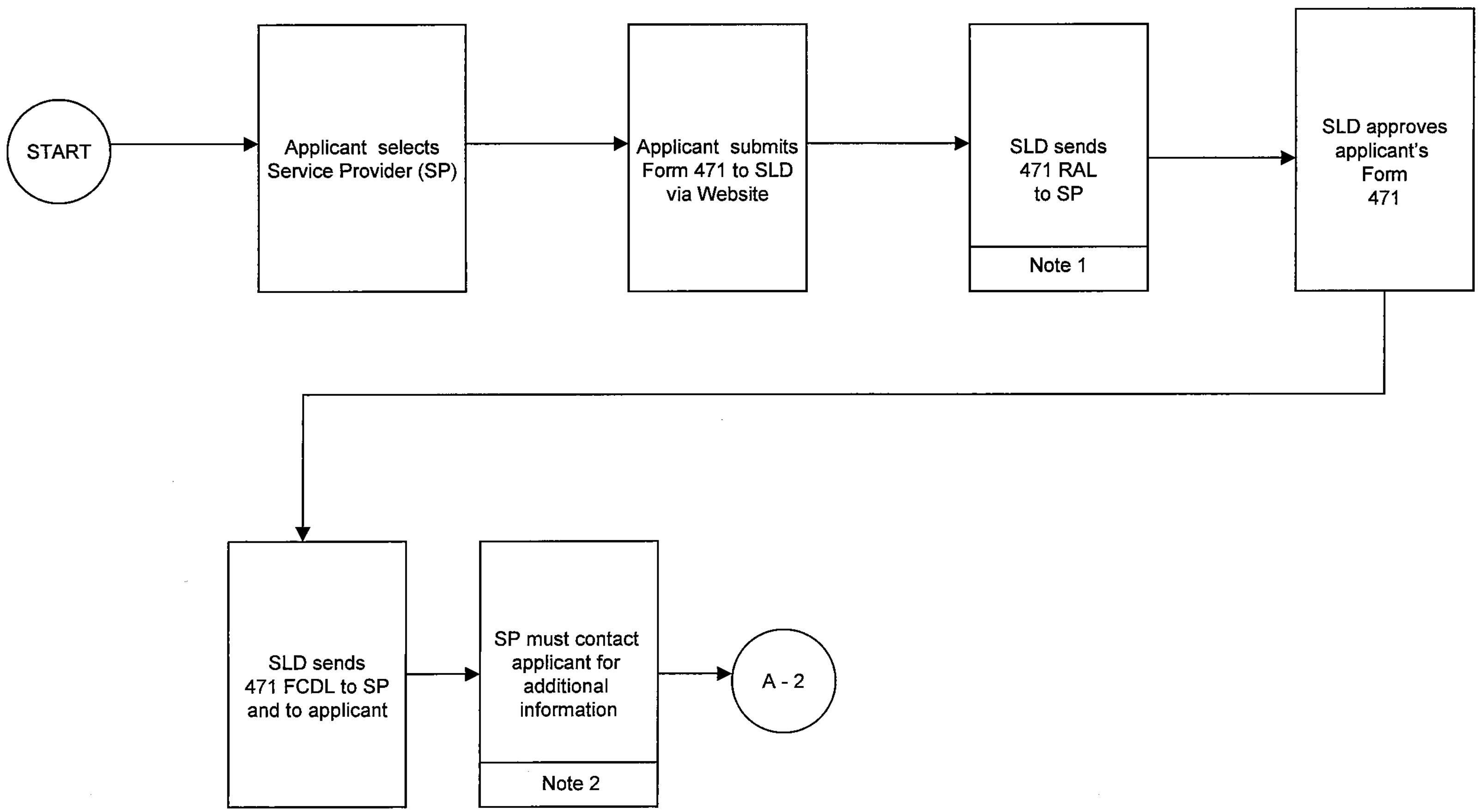
4. Examine 470s

   Companies have various methods of monitoring the posted 470s for opportunities to respond to a company request.

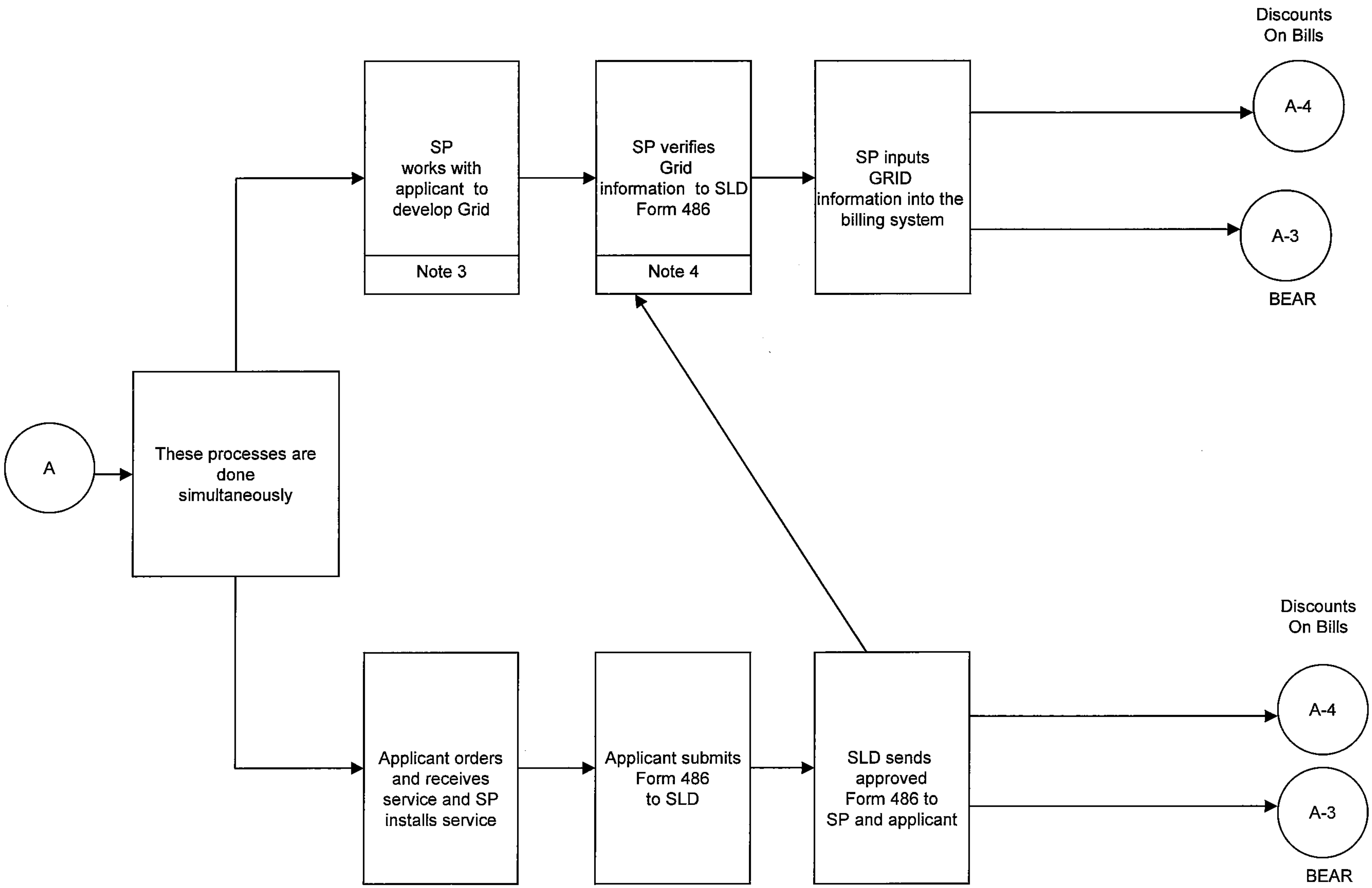
5. E-rate Call Centers

   Companies have established dedicated call centers to handle inquiries about participation in the E-rate.

Schools & Libraries Program
LEC Billing & Invoicing Flow

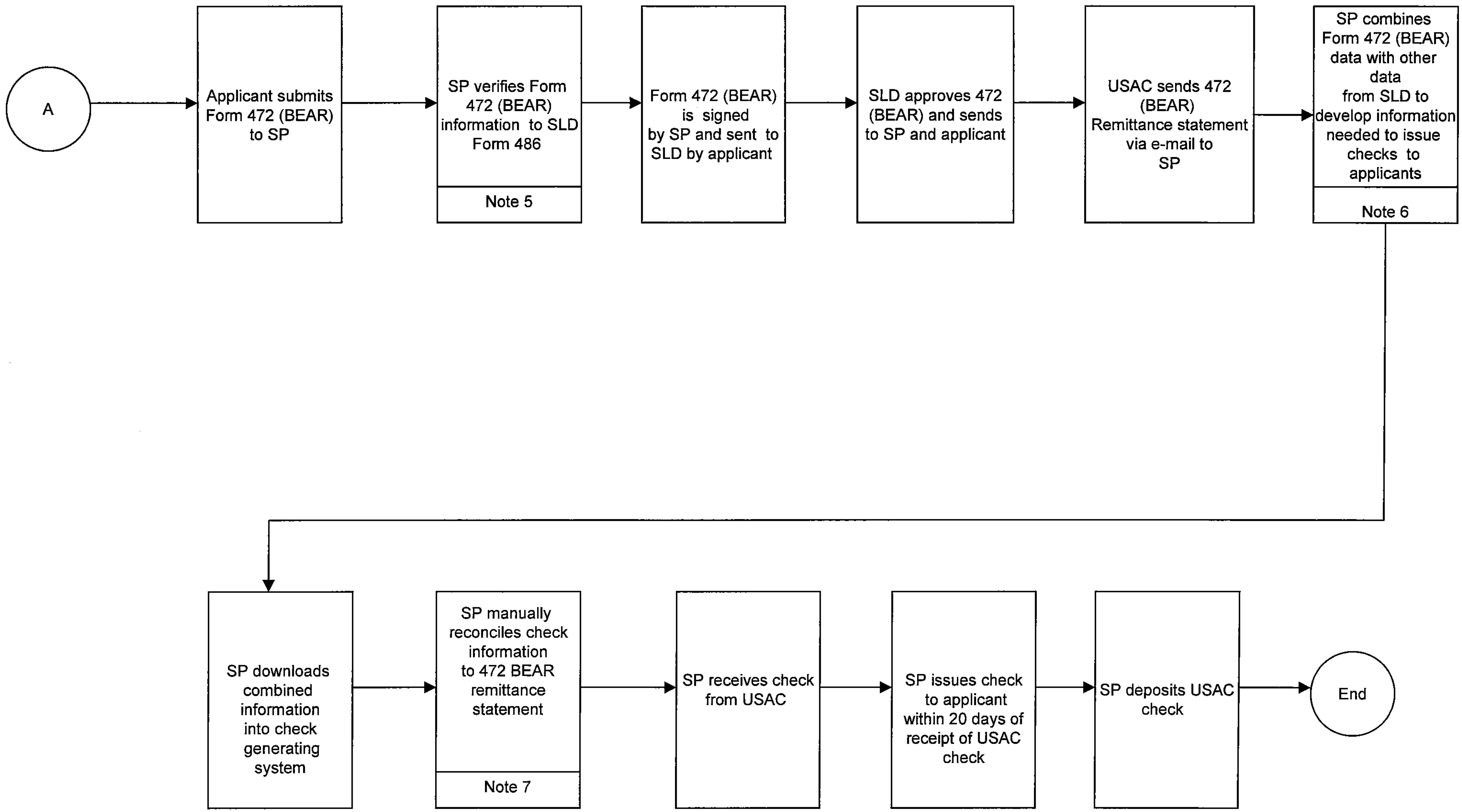


Schools & Libraries Program

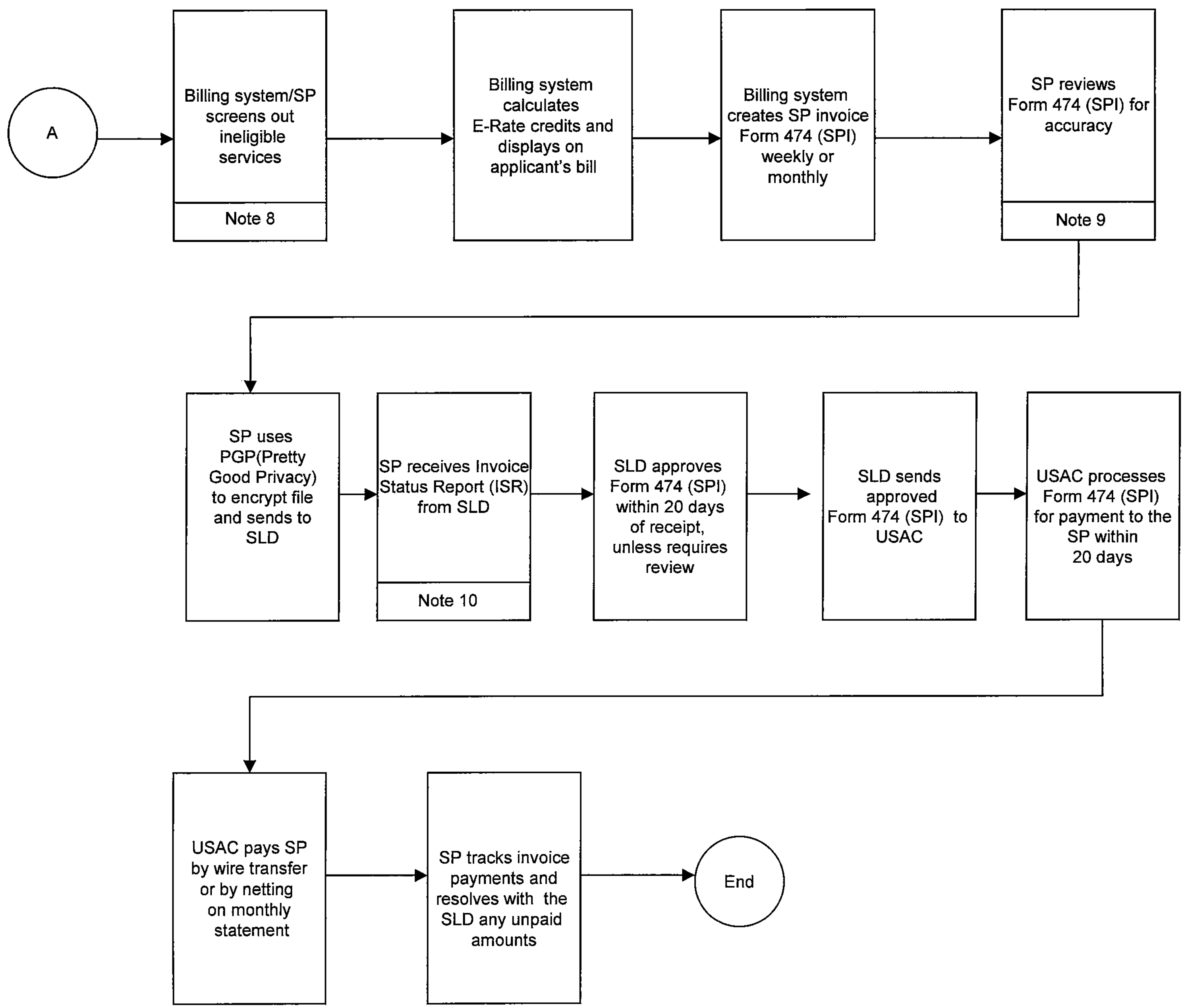


BEAR =
Billed Entity
Applicant
Reimbursement
(Form 472)

Schools & Libraries Program (BEAR)



Schools & Libraries Program
(Discounts on Bills)



NOTES
Schools and Libraries
LEC Billing & Invoicing Flow

1. The SP does not have specific knowledge of their e-rate customers application until they receive the 471 RAL from the SLD. The 471 RAL provides FRN and applicant name but does not provide information in regard to billing or services requested by the applicant.

2. When SP receives the approved Form 471, they must initiate contact with applicants to secure information in regard to discount levels, services requested and the method the applicant would like to use to receive discounts, either BEAR or discount on bills. The information received directly from the SLD does not provide the SP with enough information to establish discounts on the applicant's bill.

3. SP must work with the applicant to fill out the information on the GRID, which is an optional document for applicants but necessary for the SP. SP cannot establish discounts on bills without the information contained on the GRID. The completed GRID provides information such as billing account number associated with FRN, service description, total one time charges, monthly recurring charges, number of months discount is to be applied, % eligible services, % discount from 471 and composite discount percent. See attached example.

4. SP performs manual checks to insure that the applicant information on the GRID matches to the Form 486.

5. SP verifies the following information on the BEAR submitted by applicant: SPIN; FRN; BEN; Applicant Name; Approved percentage to 486; Dollars requested to CAP amount on 486

6. USAC BEAR remittance contains the applicant name, but does not provide other information necessary to issue checks to applicants, such as contact name and address. The SP must extract this data from other SLD documents, such as 486, in order to issue check to applicant.

7. SP must manually match information on the USAC check to the correct USAC 472 (BEAR) remittance statement in order to issue checks to applicants. The BEAR remittance statement has funding information at an FRN and applicant level but the check is issued for the total amount on the remittance statement without identifying sub-amounts by FRN.

8. Virtually all processes a LEC uses for e-rate are completely different from any other of their customer groups. The billing system that generates the bill is the same as used for other business, however, all LECs had to develop multiple adjunct systems to accommodate unique e-rate features.

9. These items are verified on From 474 SPI either within the billing system process or manually by the SP: FRN to BEN; Undiscounted amounts are not over the CAP on 486

10. The ISR provides information in regard to FRNs that require review by the SLD FRNs that have not paid in full or paid zero due to such error conditions as CAP met, incorrect discount percentage, etc.

    The ISR should provide a payment status for each FRN submitted on the 474 SPI to the SLD. Sometimes, the ISR does not match to the total FRNs submitted by the SP.

    If FRN status is "requires review," generally the SLD will contact the SP for additional documentation. The most common documentation request is for billing information to support the non-discount and discount amounts on the From 474 (SPI). Sometimes the SLD will request that the SP have the applicant sign a Service Certification Form stating that they received the services and the amounts requested by SP for reimbursement are correct.

    Other times FRNs are placed into a "requires review" status and the SP does not receive any information from the SLD. In these cases, the SP must manually monitor USAC remittances for payment or follow up with the SLD if FRN has not paid within 60 days.

Account Executive Name:______________________
Network Telephone #:

Schools and Libraries Universal Service Program

Form 471 Pre-Discount Cost Calculation Grid

ONE GRID IS REQUIRED PER FUNDING REQUEST NUMBER

(To be completed by Schools, Libraries, or Consortia)

Block A: General Information	
1. **Name of Applicant**	2. **FUNDING REQUEST NUMBER**
3. **SLD Service Provider Number (SPIN) if known, and Full Legal Name of your Service Provide**	4. **APPLICANT CONTACT NAME**
5. **Shared Services:** **Site Specific Services:** Telecommunication ___ Internal Connections ___ Internal Connections ___ Dedicated Services ___ Internet Access ___	6. **APPLICANT CONTACT #** 7. **SLD Approved Discount %**

Block B: Services Ordered Information

Verified Billed Number? Y/N	1. Account Information	2. Service Description	3. Quantity	4. Total One-Time Charges	5. One-Time Taxes and Surcharges	6. Unit Monthly Charges	7. Number of Months	8. Annual Amount of Monthly Charges	9. % eligible services and/or eligible uses	10. % of locations that are eligible for discounts	11. Estimated Eligible pre-discount one-time charges	12. Total Annual amount of estimated eligible pre-discount recur. charges	13. % of funding commitment total	14. Estimated Eligible Pre-discount Total Charges	15. Total Funding Commitment	16. Discount % Approved by SLD (Funding Commitment Letter)	17. Estimated Annual Eligible Commitment Discount	18. Effective Discount Rate input to CBR billing system
	Customer Input: **A**	input	input	input	input	input	input	(7*3)*6	input	input	((4+5)*(9*10))	(8*(9*10))	8/Total	11+12	input	input	13*15	17/(4+5+8)
								0.00			0.00	0.00	#DIV/0!	0.00			#DIV/0!	#DIV/0!
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	TOTALS:							0.00			0.00	0.00		0.00			#DIV/0!	
	Account Team Input:																	
	B																Input total of earning #	
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								0.00										

I,____________________certify that I have reviewed this grid with (customer)________________ on (date)______________.

SOURCE LEGEND FOR

FORM 471 PRE-DISCOUNT COST CALCULATION GRID

Source: Schools and Libraries Division funding letter

COLUMN 8A - Annual Amount of Monthly Charges = Compute using the grid's formula with customer's FCC Form 471 data

COLUMN 8B - Annual Amount of Monthly Charges = Compute using the grid's formula with actual data from customer's bill

COLUMN 9- % eligible services and/or eligible uses= % of services that are eligible for discounts

COLUMN 10 - % of locations that are eligible for discounts

COLUMN 11- Estimated Eligible Pre-Discount One Time Charges = Compute using the grid's formula

COLUMN 12 - Total Annual amount of estimated eligible pre-discount recur, charges= Compute using the grid's formula

COLUMN 13- % of funding commitment total = Compute using the grid's formula

COLUMN 14 - Estimated Eligible Pre-discount Total Charges = Compute using the grid's formula

COLUMN 15 - Total Funding Commitment = Funding Commitment Decision from SLD

COLUMN 16 - Discount % approved by SLD= Customer's approved % discount from Funding Commitment letter

COLUMN 17 - Estimated Annual Eligible Commitment Discount = Compute using the grid's formula
NOTE: For Row B (Account Executive): must manually input the total of earning # (Using Row A totals) as it applies to the Billing #.

COLUMN 18 - Effective Discount Rate (EDR) input to CBR billing system= Compute using the grid's formula

Note on Formulas:
If you need to increase the amount of space in Block B you will have to:

1. Unlock the sheet- Go to Tools/Protection/Unprotect Sheet.
2. You can then cut and paste the formulas from the rows that you need. The formulas will automatically update the numbers of the rows
3. There are SUM cells at the bottom of 8,14, and 17. It is critical that they be there, you must add them to the end if you need those rows.
4. If you must increase the size of Block B, then you must watch the formula in Column 13: it must read the current colun 14 amount, divi